

APPRAISALS: QUESTIONS & ANSWERS

The appraisal process

The appraised value offer which the relocation company will make to you is determined by averaging two appraised values prepared by independent professional fee appraisers. The following frequently asked questions and the answers will help you understand the relocation appraisal process.

What is an Appraisal?

An appraisal is an estimate (opinion) of value prepared by an independent professional appraiser who is familiar with all the factors that may affect the sale. By definition, appraising is not an exact science. There are several kinds of real estate appraisals, including replacement (reconstruction) value, insurance value and market value. Since different appraisal methods are used to compute each type of appraisal don't be alarmed if you had your house appraised recently for refinancing or insurance purposes and the value varies from your guaranteed offer.

A relocation appraisal is a market value appraisal defined by the Employee Relocation Council as:

“the price for which property would most probably sell if exposed to the market for a reasonable period of time in an "as is" condition where payment is made in cash or its equivalent.”

This definition assumes that the market value is a price for which a home would sell with title passing at settlement if:

the buyer and seller were well informed and acting in what they consider their best interests;

the home was exposed (listed) in the local real estate market for a reasonable amount of time, usually up to 120 days;

financing is on terms generally available in the area and typical for the type of property (if special financing, such as VA or FHA is appropriate and available, its specific effect should be stated separately);

forecasting, based on an analysis of the recent trends in the comparable real estate market, is used to project the probable value.

In other words, the appraiser will look at your home through the eyes of the average buyer and develop an estimate of the price that a buyer, comparing your home to others that meet his/her general requirements and acting in his/her own best interest would probably pay for your home.

The value is not the highest nor the lowest price a buyer might pay; it is the most likely price within a range of values. There is an equal chance that the property will sell higher or lower than the appraised value.

Who are the appraisers?

The appraisers are local professionals who specialize in appraising residential real estate. In most cases they belong to professional societies that establish educational and professional standards for their certification.

The appraisers are not employees of the relocation company. They are independent contractors, paid a fee for each appraisal performed. Their appraisals reflect their impartial professional judgment.

How does an appraiser establish market value?

The appraiser collects and analyzes information about your home, your neighborhood, comparable homes listed and recently sold, the current real estate market, and economic or other factors that may affect value. These include:

- supply and demand--the number of buyers and the number of homes available;

- mortgage availability--interest rates affect real estate values;

- economic conditions--area economic changes (unemployment, strikes, etc.) affect the number of qualified buyers;

- government action--zoning changes, taxation, school boundaries can affect housing prices;

- environmental factors--convenience, availability of public facilities, proximity to parks or industrial sites impact the value of property;

- location--the condition and attractiveness of your neighborhood and community affects your home's value;

--condition--both structural and decorative condition will be reflected in the "as is" appraised value;

--comparable sales--your home will be compared and adjustments made to similar properties recently sold that a buyer probably would have considered in deciding what to offer for your home.

--comparable listings--homes on the market similar to yours will indicate the trend of the market, up or down.

The appraiser chooses recently sold properties that are most similar to your home and then adjusts the selling prices by comparing the condition and features to yours. Type of financing, improvements, condition, appeal, and time of sale may all suggest adjustments. The adjustments are given a dollar value which is added or subtracted from the selling price.

The three comparable adjusted values establish the range within which your home will probably sell. The appraiser assigns a market value within that range based on the most similar property and the trend of the real estate market as the market value.

What instructions do the relocation companies give to the appraisers?

The relocation companies are required by the terms of their contracts to give identical instructions to each appraiser.

Those instructions are to appraise current market value of the property in "as is" condition based on normal marketing time of up to 120 days. In most real estate markets 90 to 120 days is the average marketing time for homes. Most real estate listing agreements are written for 90 to 120 days.

"As is" condition means the condition of the property at the time the appraiser inspects it. If your home requires repairs or maintenance work to meet local selling standards or normal buyer's expectation, the appraisers are instructed to adjust their values for the estimated cost.

If I get an offer for more than the relocation company offer, doesn't that mean the appraisers were wrong?

Not necessarily. Remember that your guaranteed offer is your "safety net," the amount you are guaranteed if you don't sell your home for more during your 60-day acceptance period. The relocation program is designed to help you get a higher offer so that the relocation company can amend its offer to you. That is why you are encouraged to list your home. The relocation companies will advise you on marketing and negotiating strategies.

It is normal for the final selling price of a home to be about five percent higher or lower than the guaranteed offer. In a rapidly changing real estate market the difference may be more.

My neighbor says he got more for his home than my guaranteed offer. Why didn't the appraisers know that?

What your neighbor tells you and what the "net" sale price of the home was may be two very different things. Remember, there is a big difference between asking price and sale price. Concessions to a buyer, whether it be a decorating allowance, owner financing, or VA or FHA "points," are all costs that must be considered. In addition, there may be condition factors, timing factors, or other considerations that could result in higher selling price for a home that seems similar to yours.

What should I do if I'm sure my home's market value is more than my offer?

Review your appraisals carefully and ask your counselor to explain anything you don't understand.

Each relocation company has an appeal process that you may use to have the appraisers reconsider their values. To use the appeal process ask your counselor to explain in detail the procedures you must follow. You must submit your written appeal of your guaranteed written offer to the contractor and to the relocation services coordinator within thirty (30) calendar days from receipt of the written offer.

Here are a few tips to help you if you decide to appeal your offer.

- Review your copies of the appraisals. Make a list of questions; then call your counselor to seek the answers to your questions. Do send your written appeal in as quickly as possible since written responses from each appraiser are required.

- If you think the appraisers missed some important information, ask your listing realtor to research the comparables used and suggest others that might be more appropriate. Include this information in your written appeal.

- Be patient. Each written appeal must be submitted to each appraiser for their written response. Sometimes one or both of the appraisers will need to return to your property to review additional information.

- One of the best indicators of your home's value in the current market is the offers you have already received from interested buyers on your property.

--If your home is not currently listed, list it at a reasonable price and see if someone will offer you more than the relocation company's offer. Your relocation counselor can help you find a realtor if you aren't familiar with any in your area.

--If your home is listed quite a bit higher than your guaranteed offer, analyze the activity. Have you had a lot of lookers but not buyers? Perhaps a good strategy at this point would be to lower the list price on your home. Have you had one or more offers near your guaranteed offer amount? Remember to use the security of the guaranteed offer to help you negotiate with your outside buyer to achieve an amended offer. Your relocation counselor can help you determine the best negotiating strategy.

--Keep in mind that you have 60 days to continue to market your property while considering the relocation company's offer. Use that time wisely to find a buyer who will pay you more than your guaranteed offer. Use your "safety net" guaranteed offer to your best advantage to negotiate an amended sale.

--Remember, if you cancel from the guaranteed home sale service and later sell your home and voucher your expenses, any duplicate expenses may not be fully reimbursable.